



# Freeman Corporation Limited

HK Stock Code: 279

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**Interim Report 2008/2009**

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## INTERIM FINANCIAL REPORT

The Board of Directors of Freeman Corporation Limited (the "Company") hereby presents the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30th September, 2008. These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company's audit committee.

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September, 2008

	NOTES	For the six months ended 30th September,	
		2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited) (Restated)
REVENUE	4	(4,765)	83,637
Cost of sales		(3,092)	(4,482)
Gross profit/(loss)		(7,857)	79,155
Other income and gains		2,734	21,782
Gains/(losses) arising from changes in fair value of investment properties, net		(9,043)	982
Gain on disposal of subsidiaries, net		–	37
Fair value losses on investments at fair value through profit or loss, net		(309,188)	(209,829)
General and administrative expenses		(15,636)	(15,753)
Other expenses		(10,114)	–
Finance costs		(2,558)	(1,758)
LOSS BEFORE TAX	5	(351,662)	(125,384)
Tax	6	–	–
LOSS FOR THE PERIOD ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY		(351,662)	(125,384)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		(Restated)
Basic		HK(38.04) cents	HK(35.99) cents
Diluted		N/A	N/A

## CONDENSED CONSOLIDATED BALANCE SHEET

At 30th September, 2008

	NOTES	30th September, 2008 HK\$'000 (Unaudited)	31st March, 2008 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		30,222	31,271
Investment properties	9	92,566	101,579
Prepaid land premium		50,376	51,047
Available-for-sale investment		17,672	18,793
Loans receivable	10	4,014	–
Deposits paid for purchases of investment properties		1,781	–
<b>Total non-current assets</b>		<b>196,631</b>	202,690
<b>CURRENT ASSETS</b>			
Loans receivable	10	256,671	254,152
Prepayments, deposits and other receivables	11	5,181	5,042
Investments at fair value through profit or loss		353,307	345,791
Cash and bank balances		350,209	278,649
<b>Total current assets</b>		<b>965,368</b>	883,634
<b>CURRENT LIABILITIES</b>			
Other payables and accruals		4,366	5,934
Interest-bearing bank borrowings		5,928	5,240
Tax payable		4,706	4,706
<b>Total current liabilities</b>		<b>15,000</b>	15,880
<b>NET CURRENT ASSETS</b>		<b>950,368</b>	867,754
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,146,999</b>	1,070,444
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings		88,989	92,541
Convertible notes		–	31,853
Deferred tax liabilities		2,431	2,741
<b>Total non-current liabilities</b>		<b>91,420</b>	127,135
<b>Net assets</b>		<b>1,055,579</b>	943,309
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Issued capital	12	488,659	814,431
Reserves		566,920	128,878
<b>Total equity</b>		<b>1,055,579</b>	943,309

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September, 2008

	Attributable to equity holders of the Company									
	Issued capital	Share premium	Equity component of convertible notes	Share option reserve	Capital redemption reserve	Distributable reserve	Available- for-sale investment			Total equity
							Special	revaluation	Accumulated	
							reserve	reserve	losses	
HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	
At 1st April, 2007	247,397	109,094	-	-	485	595,191	35,131	-	(398,060)	589,238
Gain on changes in fair value of available-for-sale investments	-	-	-	-	-	-	-	226	-	226
Loss for the period	-	-	-	-	-	-	-	-	(125,384)	(125,384)
Total income/(expense) for the period	-	-	-	-	-	-	-	226	(125,384)	(125,158)
Equity-settled share option arrangements	-	-	-	3,681	-	-	-	-	-	3,681
Placings of shares	223,455	96,337	-	-	-	-	-	-	-	319,792
Rights issue of shares	156,399	26,437	-	-	-	-	-	-	-	182,836
Exercise of share options	24,680	14,046	-	(3,681)	-	-	-	-	-	35,045
At 30th September, 2007	651,931	245,914	-	-	485	595,191	35,131	226	(523,444)	1,005,434
At 1st April, 2008	814,431	273,643	18,994	7,530	485	595,191	35,131	(667)	(801,429)	943,309
Loss for the period	-	-	-	-	-	-	-	-	(351,662)	(351,662)
Total expense for the period	-	-	-	-	-	-	-	-	(351,662)	(351,662)
Rights issue of shares	407,216	81,443	-	-	-	-	-	-	-	488,659
Redemption of convertible notes	-	-	(18,994)	-	-	-	-	-	7,315	(11,679)
Capital reorganisation	(732,988)	-	-	-	-	-	-	-	732,988	-
Share issue expenses	-	(13,048)	-	-	-	-	-	-	-	(13,048)
At 30th September, 2008	488,659	342,038	-	7,530	485	595,191	35,131	(667)	(412,788)	1,055,579

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September, 2008

	For the six months ended 30th September,	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Net cash outflow from operating activities	<b>(352,057)</b>	(237,133)
Net cash inflow/(outflow) from investing activities	<b>2,293</b>	(1,814)
Net cash inflow from financing activities	<b>421,324</b>	547,215
Net increase in cash and cash equivalents	<b>71,560</b>	308,268
Cash and cash equivalents at beginning of period	<b>278,649</b>	72,626
Cash and cash equivalents at end of period	<b>350,209</b>	380,894
Analysis of balances of cash and cash equivalents		
Cash and bank balances	<b>350,209</b>	380,894

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September, 2008

### 1. Basis of preparation

This interim condensed consolidated financial statements for the six months ended 30th September, 2008 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited.

The interim condensed consolidated financial statements do not include all information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31st March, 2008.

### 2. Summary of the effects of the changes in accounting policies

The accounting policies adopted in the preparation of interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st March, 2008, except for the adoption of the following new and revised standards and interpretations issued by HKICPA for the first time for the current period's interim condensed consolidated financial statements.

HK(IFRIC)-Int 12	<i>Service Concession Arrangements</i>
HK(IFRIC)-Int 14	<i>HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>

The adoption of the above new and revised standards and interpretations has had no material impact on the accounting policies of the Group and the methods of computation in the Group's interim condensed consolidated financial statements.

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these unaudited interim condensed consolidated financial statements. The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position.

## 2. Summary of the effects of the changes in accounting policies (continued)

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of HKFRSs</i> and HKAS 27 <i>Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i> <sup>4</sup>
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment – Vesting Conditions and Cancellations</i> <sup>1</sup>
HKFRS 3 (Revised)	<i>Business Combinations</i> <sup>4</sup>
HKFRS 8	<i>Operating Segments</i> <sup>1</sup>
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i> <sup>1</sup>
HKAS 23 (Revised)	<i>Borrowing Costs</i> <sup>1</sup>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i> <sup>4</sup>
HKAS 32 and HKAS 1	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> and Amendments to HKAS 1 <i>Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation</i> <sup>1</sup>
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurements – Eligible Hedged Items</i> <sup>4</sup>
HKAS 39 and HKFRS 7	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurements</i> and HKFRS 7 <i>Financial Instruments: Disclosures – Reclassification of Financial Assets</i> <sup>4</sup>
HK(IFRIC)-Int 13	<i>Customer Loyalty Programmes</i> <sup>2</sup>
HK(IFRIC)-Int 15	<i>Agreements for the Construction of Real Estate</i> <sup>1</sup>
HK(IFRIC)-Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i> <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2009

<sup>2</sup> Effective for annual periods beginning on or after 1st July, 2008

<sup>3</sup> Effective for annual periods beginning on or after 1st October, 2009

<sup>4</sup> Effective for annual periods beginning on or after 1st July, 2009

## 3. Segment information

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (i) the trading of securities segment engages in the purchase and sale of securities and the holding of investments primarily for dividend income and capital appreciation;
- (ii) the provision of finance segment engages in the provision of financing services in Hong Kong;
- (iii) the property holding and investment segment engages primarily in the investments in commercial and residential properties for their rental income potential and/or their appreciation in values;
- (iv) the insurance agency and brokerage business segment engages in general and life insurance brokerage business and the provision of related investment linked financial products in Hong Kong; and
- (v) the investment holding segment engages in holding investments for continuing strategic or long term purposes, primarily for their dividend income and capital appreciation.

### 3. Segment information (continued)

Segment information about these businesses is presented below:

#### Business Segments

	For the six months ended 30th September, 2008						Consolidated HK\$'000 (Unaudited)		
	Provision of finance HK\$'000 (Unaudited)	Trading of securities HK'000 (Unaudited)	Property holding and investment HK\$'000 (Unaudited)	Insurance agency and brokerage HK\$'000 (Unaudited)	Investment activities HK\$'000 (Unaudited)	Elimination of intersegment transactions HK\$'000 (Unaudited)			
	SEGMENT REVENUE	7,230	(15,907)	1,776	2,136	-		-	(4,765)
	SEGMENT RESULTS	2,625	(325,128)	(7,574)	(3,677)	-		-	(333,754)
Unallocated corporate expenses							(15,350)		
Finance costs							(2,558)		
Loss before tax							(351,662)		
Tax							-		
Loss for the period							(351,662)		

	For the six months ended 30th September, 2007						Consolidated HK\$'000 (Unaudited) (Restated)		
	Provision of finance HK\$'000 (Unaudited)	Trading of securities HK'000 (Unaudited) (Restated)	Property holding and investment HK\$'000 (Unaudited)	Insurance agency and brokerage HK\$'000 (Unaudited)	Investment activities HK\$'000 (Unaudited)	Elimination of intersegment transactions HK\$'000 (Unaudited)			
	SEGMENT REVENUE	7,316	72,029	1,450	3,172	8,829		(9,159)	83,637
	SEGMENT RESULTS	7,416	(137,245)	1,730	11,703	9,513		(9,159)	(116,042)
Unallocated corporate expenses							(7,584)		
Finance costs							(1,758)		
Loss before tax							(125,384)		
Tax							-		
Loss for the period							(125,384)		

#### 4. Revenue

Revenue, which is also the Group's turnover, represents interest income earned from provision of finance; dividend income from equity investments; gains/(losses) from the sale of investments at fair value through profit or loss; insurance agency and brokerage income; and gross rental income received and receivable from investment properties during the period.

	<b>For the six months ended 30th September,</b>	
	<b>2008 HK\$'000 (Unaudited)</b>	2007 HK\$'000 (Unaudited) (Restated)
Gains/(losses) from the sale of investments at fair value through profit or loss, net <sup>#</sup>	<b>(17,177)</b>	70,766
Interest income from provision of finance	<b>7,230</b>	7,316
Dividend income from investments at fair value through profit or loss	<b>1,270</b>	1,263
Gross rental income	<b>1,776</b>	1,120
Insurance agency and brokerage income	<b>2,136</b>	3,172
	<b>(4,765)</b>	83,637

<sup>#</sup> The Group's proceeds from the sale of investments at fair value through profit or loss and the corresponding carrying amount were separated into "Revenue" and "Cost of sales", respectively, in the prior period's condensed consolidated income statement. During the current period, the Group changed its presentation, as in the opinion of the directors, it is more appropriate to present the gains/losses from the sale of investments at fair value through profit or loss in "Revenue" on a net basis.

The effect of this change in presentation was to decrease revenue and cost of sales for the six months ended 30th September, 2008 by HK\$164,705,000, representing the carrying amount of investments at fair value through profit or loss disposed of during the period.

To conform with the current period's presentation, the carrying amount of investments at fair value through profit or loss disposed of for the six months ended 30th September, 2007 of HK\$815,126,000 has been offset against revenue, resulting in a decrease in revenue and cost of sales for that period by the same amount. This has resulted in no change in the amount of accumulated losses as at 1st April, 2007.

## 5. Loss before tax

The Group's loss before tax is arrived at after charging:

	For the six months ended 30th September,	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Depreciation	1,083	711
Equity-settled share option expenses	–	2,502
Share-based payment paid to investment advisors	–	1,179
Loss on disposal of items of property, plant and equipment	58	–
Loss on redemption of convertible notes*	5,333	–
Impairment of loans receivable*	4,781	–

\* These items are included in "Other expenses" on the face of the condensed consolidated income statement.

## 6. Tax

No provision for tax was made as the Group has not derived any estimated assessable profit for the period (2007: nil).

## 7. Dividend

The directors do not recommend the payment of any interim dividend for the period (2007: nil).

## 8. Loss per share attributable to ordinary equity holders of the Company

### (a) Basic loss per share

The calculation of basic loss per share for the period is based on the loss for the period attributable to ordinary equity holders of the Company of HK\$351,662,000 (2007: HK\$125,384,000) and on the weighted average of 924,437,000 (2007: 348,419,000, as restated) ordinary shares in issue. The basic loss per share amounts for the six months ended 30th September, 2008 and 2007 have been adjusted to reflect (1) the capital reorganisation effected on 14th May, 2008 which involved (i) a reduction of the nominal value of each issued ordinary share of the Company from HK\$0.10 to HK\$0.01 each by the cancellation of HK\$0.09 of the paid up capital for each issued ordinary share; (ii) the cancellation of the credit arising from such reduction towards the accumulated losses of the Company in the amount of approximately HK\$732,988,000 with the balance to be transferred to the distributable reserve of the Company; and (iii) the consolidation of every ten reduced shares of HK\$0.01 each in the capital of the Company into one adjusted share ("Adjusted Share") (the "Capital Reorganisation"); (2) a rights issue of five rights share for every Adjusted Shares was made on 8th July, 2008 at an issue price of HK\$0.12 per rights share, resulting in the issue of 4,072,156,000 new ordinary shares of HK\$0.10 each (the "Rights Issue"); and (3) the share consolidation subsequent to the balance sheet date as further detailed in note 16 to the interim condensed consolidated financial statements.

### (b) Diluted loss per share

Diluted loss per share amounts for the periods ended 30th September, 2008 and 2007 have not been disclosed, as the share options outstanding during these periods had an anti-dilutive effect on the basic loss per share amounts for these periods.

## 9. Investment properties

	<b>30th September, 2008 HK\$'000 (Unaudited)</b>	31st March, 2008 HK\$'000 (Audited)
Carrying amount at beginning of period/year	<b>101,579</b>	63,340
Additions	<b>30</b>	50,589
Disposal of a subsidiary	–	(11,500)
Transfer to owner-occupied property	–	(34,810)
Transfer from owner-occupied properties	–	17,830
Change in fair value of investment properties, net	<b>(9,043)</b>	16,130
Carrying amount at end of period/year	<b>92,566</b>	101,579

The fair values of the Group's investment properties at 30th September, 2008 have been arrived at on the basis of valuation performed by independent professionally qualified valuers on an open market, existing use basis.

## 10. Loans receivable

	<b>30th September, 2008 HK\$'000 (Unaudited)</b>	31st March, 2008 HK\$'000 (Audited)
Loans receivable	<b>265,466</b>	254,152
Impairment	<b>(4,781)</b>	–
	<b>260,685</b>	254,152
Loans receivable within one year included in current assets	<b>(256,671)</b>	(254,152)
Non-current portion	<b>4,014</b>	–

Loans receivable represent receivables arising from the provision of finance business of the Group, and bear interest at floating rates ranging from 1% below the Hong Kong dollar prime rate quoted by the Hong Kong and Shanghai Banking Corporation Limited (the "Prime Rate") per annum to 4% per month (31st March, 2008: from the Prime Rate per annum to 3% above the Prime Rate per annum). The grantings of these loans were approved and monitored by the Company's executive directors in charge of the Group's provision of finance operation.

## 11. Prepayments, deposits and other receivables

	<b>30th September, 2008 HK\$'000 (Unaudited)</b>	31st March, 2008 HK\$'000 (Audited)
Deposits and prepayments	1,973	1,893
Other receivables	2,168	2,206
Prepaid land premium	690	455
Advances to employees/agents	350	1,798
	<b>5,181</b>	6,352
Impairment	–	(1,310)
	<b>5,181</b>	5,042

## 12. Share capital

	<b>30th September, 2008 HK\$'000 (Unaudited)</b>	31st March, 2008 HK\$'000 (Audited)
Authorised: 50,000,000,000 (31st March, 2008: 50,000,000,000) ordinary shares of HK\$0.1 each	<b>5,000,000</b>	5,000,000
Issued and fully paid: 4,886,587,480 (31st March, 2008: 8,144,312,470) ordinary shares of HK\$0.1 each	<b>488,659</b>	814,431

A summary of the movements of the Company's issued capital is as follows:

	<b>Number of shares in issue</b>	<b>Issued capital HK\$'000</b>
<i>Note</i>		
At 1st April, 2008	8,144,312,470	814,431
Capital Reorganisation	(7,329,881,223)	(732,988)
Rights Issue	4,072,156,235	407,216
Repurchase of shares (a)	(2)	–
At 30th September, 2008	4,886,587,480	488,659

## 12. Share capital (continued)

Note:

- (a) During the six months ended 30th September 2008, the Company had repurchased two ordinary shares of HK\$0.1 each on the Stock Exchange of Hong Kong Limited at HK\$0.04 per share. The repurchased shares were cancelled and, accordingly, the issued capital of the Company was reduced by the nominal value of these shares. The difference between the issued capital purchased and the value of cash consideration paid was credited to the capital redemption reserve of the Company.

## 13. Share option scheme

The share option scheme of the Company was approved and adopted by the shareholders at the extraordinary general meeting held on 23rd August, 2002 (the "2002 Scheme"). The 2002 Scheme shall be valid and effective for a period of 10 years commencing from 23rd August, 2002. Details of the 2002 Scheme are as disclosed in the Company's 2007/2008 Annual Report.

### 2008

The following share options were outstanding under the 2002 Scheme during the period:

Name or category of participant	Number of share options**					At 30th September, 2008	Date of grant of share options*	Exercise period of share options*	Adjusted exercise price of share options HK\$ (Note 1)
	At 1st April, 2008	Granted during the period	Exercised during the period	Cancelled during the period	Adjustments during the period (Note 1)				
<b>Employees</b>									
In aggregate	540,000,000	-	-	(19,000,000)	(472,955,500)	48,044,500	20-11-2007	20-11-2007 to 19-11-2012	0.728

\* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

\*\* The exercise price and the number of the share options are subject to adjustment in the case of rights or bonus, or other similar changes in the Company's share capital.

Note:

- (1) During the period, as a result of the completion of the Capital Reorganisation and the Rights Issue of the Company, adjustments were made to the exercise price and the number of the outstanding share options granted under the 2002 Scheme.

#### 14. Pledge of assets

At 30th September, 2008, (i) investments held for trading of approximately HK\$353,307,000 were pledged to a financial institution to secure margin financing facilities provided to the Group; (ii) prepaid land premium and buildings of approximately HK\$51,066,000 and HK\$19,869,000, respectively, were pledged to a bank to secure loan facilities granted to the Group; and (iii) investment properties with a total carrying amount of HK\$92,566,000 were pledged to banks to secure loan facilities granted to the Group.

#### 15. Comparative amounts

As further explained in note 4 to the interim condensed consolidated financial statements, certain comparative amounts have been reclassified to conform with the current period's presentation.

#### 16. Post balance sheet events

- (a) On 12th August, 2008, the Company proposed a capital reorganisation whereby (i) the nominal value of all the issued existing shares be reduced from HK\$0.1 each to HK\$0.02 each by cancelling HK\$0.08 paid up on each issued existing share by way of a reduction of capital; (ii) the credit arising from such reduction will be applied towards cancelling the accumulated deficit of the Company with the balance (if any) to be transferred to the distributable reserve account of the Company; and (iii) every five reduced shares of HK\$0.02 each be consolidated into one consolidated share of HK\$0.10 each.

The proposed capital reorganisation has been approved by the Grand Court of the Cayman Islands and by the shareholders of the Company and effected on 25th November, 2008.

- (b) On 23rd October, 2008, the Group entered into a sale and purchase agreement with a vendor, pursuant to which the Group has agreed to purchase, and the vendor has agreed to sell, the property of unit 2801 on 28th Floor, China United Centre, No. 28 Marble Road, North Point, Hong Kong for a cash consideration of approximately HK\$14,178,000. The transaction has not been completed at the date of issuance of this interim condensed consolidated financial statements.
- (c) On 10th November, 2008, the Group entered into a sale and purchase agreement and an assignment with the vendor, pursuant to which the Group has agreed to purchase, and the vendor has agreed to sell, the property of unit 2802 on 28th Floor, China United Centre, No. 28 Marble Road, North Point, Hong Kong for a cash consideration of approximately HK\$10,720,000. The transaction has been completed on 10th November, 2008.
- (d) On 25th November, 2008, Freeman Financial Services Ltd ("FFSL"), a wholly-owned subsidiary of the Company, as the purchaser entered into a sale and purchase agreement (the "S&P Agreement") with Equity Spin Investments Limited ("Equity Spin") as the vendor, pursuant to which FFSL agreed to purchase and Equity Spin agreed to sell approximately 3,937,133,000 fully paid ordinary shares of US\$0.01 each of Hennabun Capital Group Limited ("Hennabun") for a consideration of HK\$105,800,000. On the same day, FFSL as the subscriber entered into a convertible note subscription agreement with Hennabun, pursuant to which FFSL agreed to subscribe and Hennabun agreed to issue convertible notes in a principal amount of HK\$250,000,000 (the "Convertible Note Subscription Agreement"). A special general meeting of the Company will be held to consider and, if thought fit, pass the resolutions to approve, amongst other things, the S&P Agreement and the Convertible Note Subscription Agreement. The transaction has not been completed at the date of issuance of this interim condensed consolidated financial statements.

## INTERIM DIVIDEND

The directors of the Company (the "Directors") have resolved not to declare an interim dividend for the six months ended 30th September, 2008 (2007: nil).

## INTERIM RESULTS

For the six months ended 30th September, 2008, the Group recorded a loss of HK\$351,662,000 compared against a loss of HK\$125,384,000 for the corresponding period in 2007. Loss per share was HK38.04 cents (2007: HK35.99 cents, as restated).

The revenue of the Group, comprising mainly sales of securities, interest income from provision of finance, insurance agency and brokerage income, amounted to a debit balance of HK\$4,765,000 as compared with a credit balance of HK\$83,637,000 for the six months ended 30th September, 2007.

## OPERATIONS REVIEW

For the period under review, the Group was principally engaged in the trading of securities, provision of finance, property holding, insurance business and investment holding.

During the period, the Group had reduced its business in securities trading in view of the recent downturn of the financial market. Revenue of trading of securities and its related income for the period was a debit balance of HK\$15,907,000 (2007: credit balance of HK\$72,029,000). The segment had recorded a loss of HK\$325,128,000 after taking into account of the changes in fair values of listed securities held for trading (2007: HK\$137,245,000).

Revenue of the provision of finance business for the period amounted to HK\$7,230,000 (2007: HK\$7,316,000). The business recorded a profit of HK\$2,625,000 in this period (2007: HK\$7,416,000).

As a result of the adverse economic environment affecting the local property market, the fair value of the Group's investment properties decreased in the period. As at 30th September, 2008, the aggregate carrying amount of the investment properties was HK\$92,566,000 compared with that of HK\$101,579,000 at 31st March, 2008.

The insurance agency and brokerage business of the Group recorded a revenue and a loss of HK\$2,136,000 and HK\$3,677,000, respectively, in the period. Due to the financial turmoil, the Company has exercised cautions not to over expand in the long term life insurance business in Hong Kong.

## FINANCIAL REVIEW

### Liquidity, Financial Resources and Capital Structure

At 30th September, 2008, net current assets of the Group amounted to HK\$950,368,000 (31st March, 2008: HK\$867,754,000) with cash and bank balances of HK\$350,209,000 (31st March, 2008: HK\$278,649,000).

As at 30th September, 2008, the Group had secured bank loans of HK\$94,917,000 (31st March, 2008: HK\$97,781,000). Gearing ratio calculated on the basis of the Group's total bank borrowings over shareholders' funds was 8.99% (31st March, 2008: 10.37%) at the balance sheet date. The secured bank loans of the Group were carried floating interest rates calculated by reference to the Hong Kong dollar prime rate and made in Hong Kong dollars. There is no exposure to fluctuations in exchange rates in relation to the borrowings.

The capital commitments of the Group at period end were approximately HK\$24,050,000 (31st March, 2008: nil). In light of the amount of liquid assets in hand and banking facilities available, the Directors are of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

The Group's assets portfolio is mainly financed by its shareholders' funds. At 30th September, 2008, the Group had shareholders' funds of HK\$1,055,579,000 (31st March, 2008: HK\$943,309,000). During the period, the Company had completed rights issue of approximately 4,072,156,000 shares. The capital base of the Company had been much improved after the said financing exercises.

### **Foreign Currency Management**

During the period, since the amount of the Group's foreign currency transactions is not material, the Directors are of the view that the Group's exposure to exchange rate risk is not material.

### **Pledge of Assets**

At 30th September, 2008, (i) investments held for trading of approximately HK\$353,307,000 were pledged to a financial institution to secure margin financing facilities provided to the Group; (ii) prepaid land premium and buildings of approximately HK\$51,066,000 and HK\$19,869,000, respectively, were pledged to a bank to secure loan facilities granted to the Group; and (iii) investment properties with a total carrying amount of HK\$92,566,000 were pledged to banks to secure loan facilities granted to the Group.

### **Contingent Liabilities**

The Group had no material contingent liabilities at 30th September, 2008.

## **BUSINESS PROSPECTS**

The Group was still focused on the trading of securities, provision of finance, property holding and investment, insurance agency and brokerage business and investment holding during the period. However, due to financial turmoil, the year ahead is full of uncertainties, the economy will grow thanks to various economic stimulus packages offered by the governments, but in the face of high inflation, tight credit and uncertainties, the economy will grow sluggishly. The board will proceed with caution for the remainder of the year.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30th September, 2008, the Group employed about 39 staff members including directors of the Company. Staff costs incurred for the period, including directors' remuneration, were HK\$7,918,000 (2007: HK\$5,511,000).

It is the remuneration policy of the Group to reward its employees with reference to their qualifications, experience and work performance as well as to market benchmarks. Remuneration packages, including the grant of share options, are structured to motivate individual performance and contributions to the Group.

## SHARE OPTION SCHEME

During the period, no share options were granted, exercised, cancelled or lapsed under the 2002 Scheme.

Details of the movements in the Company's share options under the 2002 Scheme are also shown in note 13 to the condensed financial statements.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 30th September, 2008, the interests of the directors and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Rules Governing the Listing of the Securities on the Stock Exchange (the "Listing Rules") were as follows:

### (i) Long positions in the shares of the Company

Name of Director	Capacity and number of ordinary shares held			Total	Approximate percentage of shareholding
	Beneficial owner	Interest of controlled corporation	Interest of spouse		
Yang Fan Shing, Andrew	8,000,000	39,600,000 (Note)	700,000	48,300,000	0.99%
Kwok Wai Ming	23,340,000	–	–	23,340,000	0.48%

Save as disclosed above, at 30th September, 2008, none of the directors nor their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations as recorded in the register required to be kept under Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Listing Rules.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Option Scheme" above, at no time during the six months ended 30th September, 2008 was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate, and none of the directors, or their spouses or children under the age of eighteen, had any right to subscribe for the securities of the Company, or had exercised any such rights during the period.

## INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

At 30th September, 2008, the register of shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

### Long positions in shares of the Company:

Name of Shareholder	Capacity	Number of Shares	Approximate percentage of shareholding
Unity Investments Holdings Limited <i>Note 1</i>	Interest of controlled corporation	383,526,495	7.85%
Willie International Holdings Limited <i>Note 2</i>	Interest of controlled corporation	251,106,800	5.14%
Heritage International Holdings Limited <i>Note 3</i>	Interest of controlled corporation	245,220,000	5.02%

#### Notes:

1. The shares of Unity Investments Holdings Limited (stock code: 913) are listed on the main board of the Stock Exchange.
2. The shares of Willie International Holdings Limited (stock code: 273) are listed on the main board of the Stock Exchange.
3. The shares of Heritage International Holdings Limited (stock code: 412) are listed on the main board of the Stock Exchange.

Save as disclosed above, at 30th September, 2008, the Company had not been notified by any persons who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30th September 2008, the Company had repurchased two ordinary shares of HK\$0.1 each on the Stock Exchange of Hong Kong Limited at HK\$0.04 per share. The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The difference between the issued capital purchased and the value of cash consideration paid was credited to the capital redemption reserve of the Company.

Save as disclosed herein, there was no purchase, sale or redemption by the Company, or any of its subsidiaries of any listed securities of the Company during the period.

## AUDIT COMMITTEE

The condensed consolidated results of the Company for the six months ended 30th September, 2008 have not been audited, but have been reviewed by the Audit Committee which comprises all the four independent non-executive directors of the Company. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the condensed consolidated financial statements for the period.

## CORPORATE GOVERNANCE

The Company adopted all the code provisions in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules as its own code on corporate governance practices. During the six months ended 30th September, 2008, the Company has complied with the code provisions as set out in the Code and there has been no material deviations from the Code.

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, the Company confirmed that in respect of the six months ended 30th September, 2008, all directors have complied with the required standard set out in the Model Code.

By Order of the Board  
**Yang Fan Shing, Andrew**  
*Chairman*

Hong Kong, 19th December, 2008